

MACRO DAILY

16 March 2020

Macro developments

- GST council has hiked rates on mobile phones to 18% from 12%, in order to correct the inverted duty structure. To improve compliance burden and give relief to small businesses, deadline for GSTR-9C has been relaxed and late fee for delayed filing has been waived off (turnover less than Rs 20mn). In addition, excise duty has been hiked by Rs 3/lt on diesel and petrol. This is expected to bring an additional revenue of Rs 390bn for the government (0.2% of GDP).
- US fed has slashed its interest rate to 0-0.25% from 1-1.25% earlier, due to disruption in financial and economic activity from COVID-19. Fed would also purchase US\$700 bn treasury bonds and mortgage-backed securities. It also issued a coordinated statement along with Bank of Canada, BoE, BoJ, ECB and Swiss National Bank to enhance liquidity by lowering the pricing on US dollar liquidity swap arrangements by 25 bps.
- PBOC has reduced the RRR by 50bps for 6 bigger banks and by 100bps for other banks. This will bring the RRR down to 12% for large banks and is expected pump in overall liquidity amounting to 550bn Yuan (US\$ 79bn). Of this, ~400bn Yuan is expected to be lent to smaller firms. In the coming days, analysts also expect cuts in 7D-reverse repo, MLF and LPR.

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Markets

- **Bonds:** Global yields closed higher as markets were anticipating stimulus from major central banks following disruption in economic activity due to COVID-19. US 10Y yield rose by 16bps (0.96%). Oil prices remained muted at US\$ 34/bbl. India's 10Y yield rose by 9bps (6.32%), on global cues. It is trading 10bps lower at 6.22% today in line with US futures.
- **Currency:** Barring CNY and INR, other global currencies closed lower against the dollar. DXY rose by 2% after US declared COVID-19 a national emergency, raising hopes that more stimulus may be forthcoming. JPY (-2.8%) and GBP (-2.3%) depreciated sharply. INR is trading lower today while other Asian currencies are trading mixed.
- **Equity:** Barring Nikkei and Shanghai Comp, global indices closed higher on hopes of stimulus plans by governments. Dow surged by 9.4%. Sensex too (4%) gained with metal stocks advancing the most. It is trading lower today in line with other Asian stocks despite a surprise rate cut by Fed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.96	16	20	(67)	(86)	(163)
UK	0.41	15	18	(20)	(38)	(80)
Japan	0.05	11	18	9	7	9
Germany	(0.54)	20	17	(17)	(26)	(63)
India	6.32	9	14	(15)	(46)	(102)
China	2.69	6	6	(15)	(51)	(46)
2Y yields (Δ bps)						
US	0.49	1	(2)	(95)	(111)	(195)
UK	0.29	9	19	(24)	(25)	(47)
Japan	(0.19)	3	9	(4)	(6)	(4)
Germany	(0.87)	6	(1)	(24)	(25)	(33)
India	5.51	9	17	(25)	(27)	(108)
China	1.96	(1)	(34)	(33)	(65)	(45)
Currencies (Δ %)						
EUR	1.1107	(0.7)	(1.6)	2.1	(0.1)	(1.9)
GBP	1.2278	(2.3)	(5.9)	(5.3)	(7.9)	(7.6)
JPY	107.62	(2.8)	(2.1)	2.2	1.6	3.5
AUD	0.6203	(0.5)	(6.5)	(7.9)	(9.8)	(12.4)
INR	73.90	0.4	(0.2)	(3.6)	(4.4)	(7.0)
CNY	7.0086	0.3	(1.1)	(0.5)	(0.5)	(4.4)
Equity & Other indices (Δ %)						
Dow	23,186	9.4	(10.4)	(21.5)	(17.6)	(10.3)
FTSE	5,366	2.5	(17.0)	(28.8)	(27.0)	(25.8)
DAX	9,232	0.8	(20.0)	(32.9)	(30.5)	(21.0)
NIKKEI	17,431	(6.1)	(16.0)	(26.9)	(27.4)	(18.7)
Shanghai Comp	2,887	(1.2)	(4.8)	(1.3)	(2.7)	(4.4)
SENSEX	34,103	4.0	(9.2)	(18.0)	(16.8)	(10.3)
Brent (US\$/bbl)	33.85	1.9	(25.2)	(39.3)	(48.1)	(49.6)
Gold (US\$/oz)	1,530	(2.9)	(8.6)	(2.3)	3.6	17.5
CRB Index	387.4	(2.2)	(2.8)	(3.7)	(2.2)	(7.7)
Rogers Agri Index	669.1	(0.6)	(4.5)	(9.6)	(9.5)	(11.6)
LIBOR (3M)*	0.84	10	(5)	(86)	(106)	(178)
INR 5Y Swap*	5.67	5	(7)	(86)	(93)	(100)
India FII data (US\$ mn)						
	12 Mar	11 Mar	WTD	MTD	CYTD	FYTD
FII-Debt	(403.0)	(1,077.1)	(1,355.8)	(1,602.4)	(3,169.5)	(225.4)
FII-Equity	(243.0)	(472.0)	(1,663.1)	(2,909.5)	(1,122.6)	6,266.6

Source: Bloomberg, Bank of Baroda | *Indicates change in bps

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